



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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Site Selection Team
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Dear Site Selection Team:

As the Governor of the Commonwealth of Kentucky, it is my great honor to present to the FutureGen Site Selection team Kentucky's response to the FutureGen Request for Proposals.

Before discussing the attributes of Kentucky's proposal, I would first like to commend President Bush, the Department of Energy and the FutureGen Industrial Alliance for putting forth the FutureGen vision. As we are all witnessing today, the United States is facing significant challenges to its energy future. We are beholden to foreign sources of petroleum and are becoming more dependent on foreign sources of natural gas. As President Bush has stated, it is time to break this destructive addiction.

In order to do so, we must look at the energy resources inherent to the United States. While we should examine the whole range of energy resources available to us, we must realize that one of the primary sources for domestic energy production will be coal. According to the Department of Energy's *Annual Energy Outlook - 2006*, by 2030 coal will account for 38% of the United States' energy production - exceeding the nation's projections for the production of oil and natural gas combined. The United States' consumption of coal by 2030 will grow at an annual rate of 1.7%, as compared to petroleum, which will grow by 1.1% annually, and natural gas, which will grow at a rate of 0.7% annually. Most important, the United States is projected to be able to meet its coal demand for the foreseeable future primarily through domestic production. The same certainly cannot be said for petroleum and natural gas.

Given that Kentucky is the third largest coal producing state in the United States, it is in our state's interest to promote our nation's energy security through the advanced deployment of coal as an energy resource. In 2005, Kentucky mined over 19 million short tons. The mining industry employed over 15,000 Kentuckians in jobs that pay well and provide additional economic stimulus to their regions. The viability of the industry and the safety of its miners are important to Kentucky and my administration has been committed to prudent policy initiatives to promote both.

We must recognize, however, since the passage of the Clean Air Act of 1990, significant environmental challenges associated with coal as an energy resource exist. Advances in clean coal technology provide tremendous opportunities in controlling airborne emissions - like sulfur dioxide, nitrogen oxide and mercury - from coal-fired generation since the passage of the Clean Air Act of 1990. Nationwide, sulfur dioxide emissions have been reduced by 33% and nitrogen oxide emissions have been reduced by 29% from 1990 levels. Both pollutants are projected to remain well below 1990 levels for the next twenty years.

Kentucky is a leader in the deployment of advanced clean coal technology. Since 2004, over \$2.1 billion in base load, clean coal generation has been announced in the Commonwealth. However, more can and should be done.

We must recognize that we may be facing a carbon constrained future. FutureGen's proposed utilization of integrated gasification combined cycle technology, along with the research and development of the technology to permanently sequester carbon dioxide, will go a long way in securing coal as an energy resource for the next generation of Kentuckians and Americans.

My administration recognized the potential benefits for the FutureGen project when it put together the state's first comprehensive energy strategy. Our strategy included the following recommendation: *The Commonwealth of Kentucky should initiate a full-scale effort to attract and site the FutureGen facility in Kentucky.*

As you will see in the pages that follow, Kentucky has done just that. I believe that we have presented a competitive proposal for the FutureGen facility that should receive the strongest consideration possible by the Site Selection Team.

Let me point out some of the strongest points of Kentucky's site:

- The underlying geology demonstrates great potential for carbon sequestration.
- As a mine mouth site, ample coal production is less than one mile away.
- The location on the Green River provides a sufficient water supply for the project.
- Being near the Green River's confluence with the Ohio River, the location provides access to a strategic transportation corridor for construction materials and coal transport.
- At least five interconnections are available for the electricity to be transported to the national grid.

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These being only a few of the outstanding characteristics of the site, Kentucky's proposal offers a tremendous set of attributes that would provide the Alliance with an excellent location to construct the FutureGen project. Given that the Alliance should consider a variety of potential options for siting the plant, I believe that Kentucky's proposal – with its mine mouth location – may provide a unique opportunity within the range of possibilities for FutureGen.

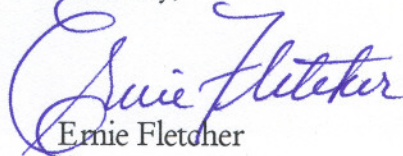
Further, the Commonwealth of Kentucky – through the Kentucky Office of Energy Policy – is prepared to be a financial partner with the FutureGen Alliance as it moves forward with siting the facility. Should Kentucky be selected, resources have been allocated to the Office of Energy Policy to provide:

- \$200,000 to fund the Environmental Information Volume;
- \$1 million for additional site characterization;
- \$500,000 to purchase the potential site and donate it to the FutureGen Alliance.

I wholeheartedly endorse Kentucky's proposal. My administration will work with the federal Department of Energy and the members of the Industrial Alliance to ensure that any questions related to our proposal will be answered in a timely and thorough manner. If you have any questions or require any clarifications about the Commonwealth's FutureGen proposal, please contact either Andrew McNeill, Acting Executive Director of the Office of Energy Policy, or Talina Mathews, FutureGen project director, at 502-564-7192.

Again, I applaud President Bush and the members of the FutureGen Alliance for putting forth the FutureGen vision. The Commonwealth of Kentucky welcomes the opportunity to compete for the FutureGen project and looks forward to working with the Site Selection team as they consider where to make history with the FutureGen facility.

Sincerely,



Ernie Fletcher